



State Board of Equalization

News Release

Chairman Jerome E. Horton

4th District – Los Angeles

Kristine Cazadd
Interim Executive Director
www.boe.ca.gov

**For Immediate Release
March 14, 2011**

**Contact: NR 41-11-H
Anita Gore
916-327-8988**

Jerome Horton, BOE Chairman, Announces that Service Businesses Must Pay Use Tax

Jerome E. Horton, Chairman of the California Board of Equalization (BOE), has directed BOE staff to notify nearly 300,000 service business owners that they may owe use tax.

The new law, which is included in Section 6225 of the Revenue and Taxation Code, requires businesses that meet the definition of a "qualified purchaser" to register with the BOE and to file returns by April 15 (April 18 in 2011) of each year, reporting all purchases subject to use tax from the previous calendar year.

A qualified purchaser is a business that receives at least \$100,000 in gross receipts per year from business operations, is not required to hold a seller's permit with BOE, is not a holder of a use tax direct payment permit, is not required to be registered with the BOE, and is not otherwise registered with the BOE to report use tax.

Businesses that do not meet the \$100,000 gross receipts threshold are still required to report and pay use tax, but are not required to register with the BOE for that purpose. Persons that have multiple businesses with the same ownership must register if the aggregate gross receipts of those businesses meet or exceed the \$100,000 threshold.

"Use tax, which has been the law since 1935, is owed when individuals or businesses in California use, consume, give away or store tangible personal property (things you can see, weigh, feel or touch) that they purchase from out-of-state sellers," Horton explained, "including purchases from online retailers like Amazon.com, through the mail, or over the telephone."

The BOE offers information on its website at www.boe.ca.gov to help educate taxpayers on their tax obligations so that they may voluntarily comply and possibly avoid unnecessary filing delays and penalties. In addition, to simplify the registration process, new applicants have been automatically registered to eFile their returns for 2008, 2009 and 2010. And finally, if the taxpayer is not a retailer or service business currently required to register with the BOE, the easiest way to report and pay use tax is on the California state income tax return. You may also register with the BOE as a consumer to pay use tax.

Elected in 2010, Horton is the Fourth District Member of the California State BOE, representing more than 8.5 million residents in Los Angeles County and also serves as the BOE Legislative Committee chairman. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$48 billion annually in taxes and fees supporting state and local government services. The BOE hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a

significant role in the assessment and administration of property taxes. For more information on other California taxes and fees, visit www.taxes.ca.gov.

Additional online reference information is available: Frequently asked questions, <http://www.boe.ca.gov/sutax/useTaxRegFAQ.htm>; Publication 126, *Use Tax Registration for Service Enterprises*, <http://www.boe.ca.gov/pdf/pub126.pdf>; and Use Tax eFile Tutorial, http://www.boe.ca.gov/electsrv/efiling/efile_demo/efile_use_tax.htm.

###